ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Financial Statements and
Supplementary Financial Information

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

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KPMG LLP
1 East Pratt Street
Baltimore, MD 21202-1128

Independent Auditors' Report

The Board of Directors
Associated Catholic Charities, Inc.:

We have audited the accompanying combined financial statements of Associated Catholic Charities, Inc. and affiliated organizations (Catholic Charities), which comprise the combined statements of financial position as of June 30, 2016 and 2015, and the related combined statements of activities, changes in net assets, and cash flows for the years then ended, and the combined statement of program operating expenses for the year ended June 30, 2016, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Associated Catholic Charities, Inc. and affiliated organizations as of June 30, 2016 and 2015, and the combined changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters – Supplemental Schedule

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary financial information is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

KPMG LLP

October 27, 2016

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statements of Financial Position

June 30, 2016 and 2015

Assets		2016	2015
Cash and cash equivalents	$	3,281,703	3,164,456
Restricted cash		3,928,934	2,355,171
Accounts receivable, less allowance for doubtful accounts (2016 – $1,456,226; 2015 – $1,410,732)		20,379,199	15,125,316
Prepaid expenses and other assets		3,144,452	2,550,845
Investments, at fair value		70,450,122	74,239,166
Property and equipment:			
Land and improvements		19,323,673	19,122,479
Buildings		232,922,058	226,540,314
Equipment		23,632,307	21,721,688
Construction in progress		650,428	1,006,963
		276,528,466	268,391,444
Accumulated depreciation		(123,778,798)	(115,518,886)
		152,749,668	152,872,558
Total assets	$	253,934,078	250,307,512
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	6,855,476	6,711,029
Accrued salaries and benefits		9,523,691	8,684,876
Accrued interest		1,177,576	1,154,824
Borrowings under line of credit		3,359,000	138,000
Deferred revenue		766,944	834,133
Due to Archdiocese		7,049,380	8,424,303
Other liabilities		5,006,041	4,182,316
Capital advances		98,722,922	97,800,769
Mortgages and bonds payable		56,412,700	50,768,290
Total liabilities		188,873,730	178,698,540
Net assets:			
Unrestricted – controlling interest		15,402,645	24,156,582
Unrestricted – noncontrolling interest		9,281,781	5,800,254
Total unrestricted		24,684,426	29,956,836
Temporarily restricted		16,369,218	19,583,167
Permanently restricted		24,006,704	22,068,969
Total net assets		65,060,348	71,608,972
Total liabilities and net assets	$	253,934,078	250,307,512

See accompanying notes to combined financial statements.

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statements of Activities

Years ended June 30, 2016 and 2015

	2016				2015			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Unrestricted**	**Temporarily restricted**	**Permanently restricted**	**Total**
Revenue:								
Purchase of services by governmental agencies	$ 119,856,025	—	—	119,856,025	116,645,006	—	—	116,645,006
Purchase of services – other	1,911,488	—	—	1,911,488	2,275,107	—	—	2,275,107
Program service fees	7,851,364	—	—	7,851,364	7,379,563	—	—	7,379,563
Contributions, fundraising, and donated goods and services	11,276,988	3,416,038	—	14,693,026	12,608,747	3,399,338	—	16,008,085
Rental income	7,464,492	—	—	7,464,492	7,636,657	—	—	7,636,657
Other	409,121	—	—	409,121	472,645	—	—	472,645
Net assets released from restrictions	4,798,209	(4,798,209)	—	—	7,061,218	(7,061,218)	—	—
Total revenue	153,567,687	(1,382,171)	—	152,185,516	154,078,943	(3,661,880)	—	150,417,063
Program operating expenses:								
Family services	66,703,254	—	—	66,703,254	68,660,608	—	—	68,660,608
Community services	29,451,761	—	—	29,451,761	29,541,524	—	—	29,541,524
Senior services	45,997,812	—	—	45,997,812	43,445,719	—	—	43,445,719
Fundraising and awareness	3,089,367	—	—	3,089,367	3,291,136	—	—	3,291,136
Management and general	16,643,309	—	—	16,643,309	13,565,189	—	—	13,565,189
Total expenses	161,885,503	—	—	161,885,503	158,504,176	—	—	158,504,176
Total expenses in excess of total revenue	(8,317,816)	(1,382,171)	—	(9,699,987)	(4,425,233)	(3,661,880)	—	(8,087,113)
Nonoperating revenue (expense):								
Endowments and other gifts, including changes in donor's restrictions (note 8)	134,231	(1,398,667)	1,949,862	685,426	45,831	—	14,289	60,120
Investment income (loss), net (including net unrealized (losses): 2016 – $(953,151); 2015 – $(4,746,647))	(267,160)	(289,701)	(12,127)	(568,988)	1,056,610	1,372,544	(8,233)	2,420,921
Other, net	56,271	—	—	56,271	(49,670)	7,500	—	(42,170)
Net assets released from restrictions	143,410	(143,410)	—	—	296,550	(296,550)	—	—
Total nonoperating revenue	66,752	(1,831,778)	1,937,735	172,709	1,349,321	1,083,494	6,056	2,438,871
Change in net assets	(8,251,064)	(3,213,949)	1,937,735	(9,527,278)	(3,075,912)	(2,578,386)	6,056	(5,648,242)
Change in net assets – noncontrolling interest	(898,350)	—	—	(898,350)	(818,310)	—	—	(818,310)
Change in net assets – controlling interest	$ (7,352,714)	(3,213,949)	1,937,735	(8,628,928)	(2,257,602)	(2,578,386)	6,056	(4,829,932)

See accompanying notes to combined financial statements.

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statements of Changes in Net Assets

Years ended June 30, 2016 and 2015

		Unrestricted controlling interest	Unrestricted noncontrolling interest	Total unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Net assets as of June 30, 2014	$	26,414,184	4,913,604	31,327,788	22,161,553	22,062,913	75,552,254
Change in net assets from activities		(2,257,602)	(818,310)	(3,075,912)	(2,578,386)	6,056	(5,648,242)
Partner contributions		—	1,704,960	1,704,960	—	—	1,704,960
Net assets as of June 30, 2015		24,156,582	5,800,254	29,956,836	19,583,167	22,068,969	71,608,972
Change in net assets from activities		(7,352,714)	(898,350)	(8,251,064)	(3,213,949)	1,937,735	(9,527,278)
Assignment of limited partnership equity		(1,401,223)	1,401,223	—	—	—	—
Partner contributions		—	2,978,654	2,978,654	—	—	2,978,654
Net assets as of June 30, 2016	$	15,402,645	9,281,781	24,684,426	16,369,218	24,006,704	65,060,348

See accompanying notes to the combined financial statements.

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statements of Cash Flows

Years ended June 30, 2016 and 2015

		2016	2015
Cash flows from operating activities:			
Change in net assets	$	(9,527,278)	(5,648,242)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:			
Depreciation and amortization		8,968,766	8,283,721
Provision for bad debts		1,353,258	1,033,409
Change in fair value of interest rate swap and cap		339,204	62,509
Unrealized loss on investments, net		953,151	4,746,647
Realized loss (gain) on sale of investments, net		880,085	(5,614,151)
Deferred interest expense		297,875	287,499
Loss on disposal of property and equipment		52,688	100,457
Contributions restricted for long-term investment		(551,195)	(14,289)
Change in accounts receivable, net		(6,607,141)	(303,866)
Change in prepaid expenses and other assets		37,354	131,387
Change in accounts payable, accrued interest, and accrued salaries and benefits		(175,180)	1,737,219
Change in due to Archdiocese		(1,374,923)	(1,511,574)
Change in deferred revenue		(67,189)	94,333
Change in other liabilities		425,895	(140,700)
Net cash (used in) provided by operating activities		(4,994,630)	3,244,359
Cash flows from investing activities:			
Change in restricted cash		(1,573,763)	56,152
Purchase of property and equipment		(7,693,290)	(2,454,435)
Proceeds from the sale of property and equipment		16,526	9,580
Purchase of investments		(31,457,732)	(46,643,206)
Proceeds from sales and maturities of investments		33,413,540	49,480,699
Net cash (used in) provided by investing activities		(7,294,719)	448,790
Cash flows from financing activities:			
Change in contributions receivable		(34,510)	20,541
Contributions restricted for long-term investment		551,195	14,289
Payment of debt issuance costs		(664,096)	—
Capital advances for HUD projects		922,153	318,452
Borrowings (repayments) under line of credit		3,221,000	(4,000,000)
Other debt proceeds		10,870,087	169,527
Other debt repayment		(5,437,887)	(2,365,515)
Capital contribution		2,978,654	1,704,960
Net cash provided by (used in) financing activities		12,406,596	(4,137,746)
Increase (decrease) in cash and cash equivalents		117,247	(444,597)
Cash and cash equivalents at beginning of year		3,164,456	3,609,053
Cash and cash equivalents at end of year	$	3,281,703	3,164,456
Supplemental disclosure of cash flow information:			
Purchase of fixed asset additions in accounts payable	$	1,726,106	630,579

See accompanying notes to combined financial statements.

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statement of Program Operating Expenses

Year ended June 30, 2016 (with summary totals for 2015)

		Family services	Community services	Senior services	Fundraising and awareness	Management and general	Total expenses June 30, 2016	Total expenses June 30, 2015
Salaries	$	38,736,137	13,960,377	16,448,713	1,545,573	9,589,047	80,279,847	78,427,251
Employee benefits and payroll taxes		11,852,456	4,391,791	4,559,981	448,057	2,659,641	23,911,926	22,739,955
Total employee compensation		50,588,593	18,352,168	21,008,694	1,993,630	12,248,688	104,191,773	101,167,206
Occupancy		4,382,762	4,032,193	6,509,640	117,510	1,089,147	16,131,252	16,185,549
Professional fees and contractual services		2,223,026	636,286	5,413,570	348,440	943,100	9,564,422	9,912,074
Food and other supplies		2,176,905	2,022,853	3,222,840	9,463	62,225	7,494,286	7,338,230
Transportation		1,219,811	180,490	163,347	10,570	59,383	1,633,601	1,655,924
Direct assistance		1,193,198	2,049,799	—	—	—	3,242,997	3,727,510
Postage, printing, and publications		87,385	62,416	142,078	487,816	54,894	834,589	942,700
Provision for bad debts		418,771	32,790	900,881	816	—	1,353,258	1,033,409
Interest expense		805,411	6,165	1,260,602	—	384,418	2,456,596	2,164,018
Depreciation		2,218,980	1,171,374	5,276,928	1,199	174,012	8,842,493	8,170,747
Other		1,388,412	905,227	2,099,232	119,923	1,627,442	6,140,236	6,206,809
Total program expenses	$	66,703,254	29,451,761	45,997,812	3,089,367	16,643,309	161,885,503	158,504,176
Total program expenses 2015	$	68,660,608	29,541,524	43,445,719	3,291,136	13,565,189	—	158,504,176

See accompanying notes to combined financial statements.

(1) Organization and Significant Accounting Policies

The significant accounting principles and policies followed by Associated Catholic Charities, Inc. and its affiliated organizations (Catholic Charities or the Organization) are summarized below:

(a) Organization

Catholic Charities is a nonprofit human services agency that provides services to children and families, the elderly, the disadvantaged, and people with developmental disabilities. Catholic Charities operates more than 80 programs in the city of Baltimore and throughout Maryland.

Catholic Charities' Mission: Inspired by the Gospel mandates to love, serve, and teach, Catholic Charities provides care and services to improve the lives of Marylanders in need.

(b) Affiliated Organizations

The combined financial statements include all organizations operating under the auspices of Associated Catholic Charities, Inc., including Catholic Charities Housing, Inc. (Basilica Place), DePaul House, Inc., Bethany Community Inc., St. Charles House, Inc., Backbone Housing, Inc. (Starner Hill), Coursey Station Apartments, Inc., St. Luke's Apartments, Inc., St. Mark's Housing, Inc., St. Mark's Limited Partnership, St. Joachim, Inc., Trinity House Apartments, Inc., Jenkins Memorial Nursing Home, Inc. (St. Elizabeth's), Cherry Hill Town Center, Inc., 661 Corporation, Hollins Ferry Road Apartments, Inc., Hollins Ferry Senior Housing Limited Partnership, Belair Senior Housing, Inc., Belair Limited Partnership, Odenton Senior Housing, Inc., Glen Burnie Senior Housing, Inc., Reisterstown Village Senior Housing, Inc., Reisterstown Gardens Senior Housing, Inc., Owings Mills Senior Housing, Inc., Aberdeen Senior Housing, Inc., Woodlawn Senior Housing, Inc., Abingdon Senior Housing, Inc., Odenton Senior Housing II, Inc., OLF Senior Housing, Inc., OLF Senior Housing II, Inc., Village Crossroads Senior Housing, Inc., Village Crossroads Senior Housing Limited Partnership, Village Crossroads Senior Housing II, Inc., My Sister's Place Women's Center Fund, Inc., Our Daily Bread Employment Center Fund, Inc., Sarah's House Fund, Inc., ACC Green House Residences, Inc., Esperanza Center Health Services, Inc., Basilica Place Limited Partnership, and BPL, Inc.

All significant intercompany accounts and transactions have been eliminated. All of the combined organizations operate under the control of the Roman Catholic Archbishop of Baltimore (Archdiocese).

(c) Basis of Presentation

Net assets, revenue, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

- Unrestricted – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted – Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.

- Permanently restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes, primarily program services.

Revenue is reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. At the program level in fiscal 2016, the Organization restructured divisions from six to five to align with the Organization's mission. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Under Maryland law, appreciation on donor-restricted endowments is classified as temporarily restricted until appropriated for expenditure. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions, which reflect reclassifications from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are placed in service.

Management and general expenses in the combined statement of program operating expenses for fiscal 2016 reflects certain costs associated with the Organization's adoption of a shared-services model for certain of its support functions including human resources, information technology, and finance. Previously these costs were reported as program expenses.

(d) Use of Estimates

The preparation of the combined financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the combined financial statements and revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

(e) Cash Equivalents

Catholic Charities considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except any such securities held by external investment managers are classified with the respective assets.

(f) Restricted Cash

Restricted cash represents cash held for various restricted purposes including client funds, tenant security deposits, construction, and certain reserves for replacements.

(g) Allowance for Doubtful Accounts

Catholic Charities' policy is to write off all accounts that have been identified as uncollectible. An allowance for doubtful accounts is recorded for amounts not yet written off, which are estimated to be uncollectible based upon specific review of accounts.

(h) Investments

Investments in mutual funds, government and agency obligations, corporate bonds, including asset-backed securities, and common stocks are reported at fair value, based primarily upon quoted market prices. Investment in real estate fund is stated at estimated fair value based on the fund's net asset value (NAV), as a practical expedient, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2016 and 2015, the Organization had no plans or intentions to sell the investment at an amount different from NAV. Realized and unrealized gains and losses are reflected in the combined statements of activities. Investment transactions are recorded on a trade date basis.

(i) Concentration of Risk

Financial instruments that potentially subject Catholic Charities to concentrations of investment risk include cash and cash equivalents, and investments in debt and equity securities. The Organization's investments are overseen by the Investment Committee of the board of directors in accordance with Catholic Charities' investment policy. Members of the Investment Committee are experienced in investment and financial management. Though the market value of investments is subject to market fluctuations, Catholic Charities believes that its investment policy is prudent for the long-term welfare of the Organization. Based on the Organization's ability to access cash and other short-term investments, Catholic Charities does not anticipate having to sell these investments in the foreseeable future except for regular draws needed to support the Organization's annual operating needs.

Revenue from federal, state, and local governments represents a significant portion of the Organization's total revenue. Changes in federal and state funding mechanisms, changes in regulatory requirements, and related government budgetary constraints could have an adverse effect on Catholic Charities.

Credit risk with respect to accounts receivable is limited due to the creditworthiness of the government entities and organizations from whom the amounts are due.

(j) Property and Equipment

Property and equipment include assets intended for ongoing use in operations and are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives, which range from 25 to 40 years for buildings and improvements and 3 to 20 years for equipment. Maintenance and repairs are charged to expense as incurred.

(k) Purchase of Services by Governmental Agencies

Purchase of services revenue is recognized on the accrual basis of accounting, as services are rendered, in accordance with the contractual terms of the purchase of service agreements with governmental agencies. Cash received in advance is deferred until earned. Services provided by Catholic Charities under these agreements consist primarily of the operation of residential care facilities to provide the basic care, health, social service, and special education needs of physically handicapped and developmentally disabled children and adults and intensive diagnostic, stabilization, and treatment services to children with severe emotional behavioral challenges. In addition, Catholic Charities

(Continued)

operates extended-care facilities, nursing homes, low-income senior housing communities, and early education, child development, and intervention services for low-income children and their families.

The Organization operates a residential treatment center whereby services are reimbursed by the State of Maryland Medicaid Program on a cost basis subject to annual ceilings. The Organization bills and receives an interim per diem rate during the year, which generally differs from the target rate cost basis for which revenue is recognized. The Organization ultimately settles final payment based upon an audited cost report filing of the residential treatment center's operating expenses.

(l) Program Service Fees

Program service fees are charged primarily to facility residents and program participants for the cost of care and services rendered that are not funded by a governmental agency assistance program or collected from third-party payors pursuant to the cost reimbursement methodology in effect for eligible participants.

(m) Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, giving consideration to estimated future cash flows and a risk adjusted interest rate. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Allowance is made for uncollectible contributions receivable based upon management's judgment and analysis of credit worthiness of the donors and past collection experience.

(n) Donated Goods and Services

Donated goods and certain contributions of services are recorded at their estimated fair values on the date of contribution. Contributions of services are recognized as revenue if the services received create or enhance nonfinancial assets or are performed by individuals requiring specialized skills. Revenue and expenses from donated goods and services recognized in 2016 and 2015 was $2,013,116 and $2,170,893, respectively. Catholic Charities receives a significant amount of volunteer services, which do not meet the above criteria for recognition in the combined financial statements. Accordingly, the value of these services has not been recorded in the accompanying combined financial statements.

(o) Split-Interest Agreements

Split-interest agreements with donors consist primarily of charitable gift annuity agreements. Assets held under these agreements are included in investments and are recorded at fair value. Liabilities are recorded for the present value of the estimated future payments to be made to the donors or beneficiaries. As of June 30, 2016 and 2015, assets under the charitable annuity agreements were $1.0 million and $1.3 million, respectively, and the related liabilities as of June 30, 2016 and 2015 were $0.8 million.

(p) Capital Advances

Capital advances from the U.S. Department of Housing and Urban Development (HUD) to finance rental housing projects are considered liabilities until the period of compliance, generally 40 years, has expired. These advances do not bear interest and repayment is not required so long as the housing remains available to eligible elderly and disabled households.

(q) Rental Income

Rental payments received from residents of the Organization’s low-income senior housing communities is recognized as revenue in the month earned. Prepayments by residents are deferred and applied to subsequent months. Substantially all residents qualify for resident housing assistance funds under Section 8 of the National Housing Act as administered by HUD or qualify for government-funded rent subsidy payments. Resident housing assistance funds that are recorded in purchase of services by governmental agencies aggregated $10.4 million and $9.7 million in 2016 and 2015, respectively.

(r) Nonoperating Revenue (Expense)

Nonoperating revenue (expense) primarily consists of contributions for endowment funds, capital, and capital grants, as well as investment income (net of investment expenses), including realized and unrealized gains and losses.

(s) Income Taxes

As an affiliate of the Archdiocese, Catholic Charities and its affiliated organizations, except as set forth below, are included in the Official Catholic Directory and thus are exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the combined financial statements.

St. Mark’s Housing, Inc., Hollins Ferry Road Apartments, Inc., Belair Senior Housing, Inc., Village Crossroads Senior Housing, Inc., and BPL, Inc. are for-profit corporations subject to federal income taxes under the Internal Revenue Code. St. Mark’s L/P, Hollins Ferry Senior Housing L/P, Belair L/P, Village Crossroads Senior Housing L/P, and Basilica Place L/P are limited partnerships. No provision for income taxes was required in 2016 and 2015.

(t) Interest Rate Swaps and Cap Agreement

Catholic Charities is a party to interest rate swap and cap agreements to protect against interest rate risks associated with its variable rate Maryland Industrial Development Financing Authority (MIDFA) Bonds, Series 2013. The fair value of these agreements is recorded as an asset or liability in the combined statements of financial position. The gain or loss resulting from changes in fair value of these instruments is recognized as interest expense in the combined statements of activities.

(u) Fair Value Measurements

Assets and liabilities that are reported at fair value on a recurring basis are categorized into a fair value hierarchy. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.

(v) Noncontrolling Interests

Noncontrolling interests are reported within unrestricted net assets on the combined statements of financial position and represents Catholic Charities' noncontrolling interest in three low-income senior housing partnerships. During the fiscal years ended June 30, 2016 and 2015, the limited partner in the Basilica Place Limited Partnership and the Village Crossroads Senior Housing Limited Partnership made equity contributions aggregating $3.0 million and $1.7 million, respectively.

(w) Related Parties

Members of the Organization's board of directors may, from time to time, be associated, either directly or indirectly, with companies doing business with Catholic Charities, particularly in the areas of banking and investment services. When such relationships exist, measures are taken to mitigate any actual or perceived conflicts, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration.

(x) Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-02, *Consolidation (Topic 810)*. This ASU establishes new guidance to improve targeted areas of the consolidation guidance and reduce the number of consolidation models. Particularly, the ASU changes the way reporting entities evaluate whether they should consolidate limited partnerships and similar entities. ASU 2015-02 is effective for fiscal year 2017. The Organization is evaluating the impact of this ASU on its combined financial statements as it relates to its partnership interest in tax credit senior communities.

(Continued)

(2) Investments

Investments consist of the following as of June 30, 2016 and 2015:

	2016	2015
Certificates of deposit and cash	$ 8,245,111	6,589,437
Mutual funds	17,834,878	19,538,796
U.S. government and agency obligations	10,260,466	9,936,807
Corporate bonds	3,605,204	3,642,431
Common stocks	29,291,331	33,184,207
Asset-backed securities	952,381	765,579
Real estate investment fund	260,751	581,909
	$ 70,450,122	74,239,166

(3) Borrowings under Line of Credit

Catholic Charities has a line-of-credit agreement, which provides for borrowings up to $20 million. Borrowings under the bank line bear interest, payable monthly, at 125 basis points over the 30-day LIBOR. As security for the line of credit, Catholic Charities granted the bank a security interest in certain revenue, cash receipts, and certain real and personal property, all as defined in the agreement. The outstanding balance on the line of credit, which expires May 31, 2017, but can be extended at the sole discretion of the lender, was $3.4 million and $0.1 million as of June 30, 2016 and 2015, respectively.

Interest paid on line-of-credit borrowings was $43,622 and $49,302 in fiscal years 2016 and 2015, respectively.

As of June 30, 2016 and 2015, Catholic Charities had outstanding irrevocable letters of credit of $1.1 million and $1.4 million, respectively, issued primarily to the State as security for self-funded unemployment insurance programs and to secure certain HUD and other development projects.

(4) Capital Advances

Capital advances from HUD are used to assist in financing rental housing projects. These advances bear no interest and repayment is not required so long as the housing remains available to eligible elderly and disabled households for a period of 40 years, after which the advances shall be deemed to be forgiven. Upon default, however, the entire principal sum and interest per annum at a rate ranging from 3.0% to 8.375% would become due and payable. Capital advances aggregated $98.7 million and $97.8 million as of June 30, 2016 and 2015, respectively.

(5) Mortgages and Bonds Payable

Mortgages and bonds payable consist of the following as of June 30, 2016 and 2015:

		2016	2015
ACC MIDFA Bonds, Series 2013	$	15,700,417	16,835,417
HUD 202 Projects – Mortgages		26,860,385	19,869,536
Other mortgages		13,851,898	14,063,337
	$	56,412,700	50,768,290

(a) ACC MIDFA Bonds, Series 2013

In June 2013, Catholic Charities issued Economic Development Refunding Revenue Bonds through the MIDFA, in the amount of $19.1 million (Series 2013 Bonds). The bonds, which mature in 2035, were purchased by a bank and the proceeds loaned to Catholic Charities to redeem its MEDCO Bonds Series 1999, 2002, and 2004 Issues, its MIDFA Bonds Series 2009 Issue, and Jenkins Memorial Nursing Home's MEDCO Bonds Series 1997 Issue (the Prior Bonds). At June 2023, the bank has the right to put the bonds back to Catholic Charities in an amount equal to the then remaining principal balance. Jenkins Memorial Nursing Home, Inc. is a limited guarantor under the bank loan.

The Series 2013 Bonds are repayable in monthly principal installments, beginning in July 2013 of $92,000, increasing annually to monthly payments of $110,000 in July of 2022, then decreasing to the final payment of $51,000 in June 2035. Interest is payable monthly at a variable rate based on 72% of the sum of one-month LIBOR plus 1.76%. Outstanding borrowings under the agreement are secured by certain revenue and cash receipts and certain real and personal property, all as defined in the agreement. Catholic Charities must satisfy certain financial covenants as long as the bonds are outstanding. As of June 30, 2016, Catholic Charities was in compliance with the financial covenants.

(b) HUD 202 Projects

Mortgages related to HUD 202 Projects consist of the following as of June 30, 2016 and 2015:

		2016	2015
Various mortgages payable to/insured by HUD bearing interest at fixed rates ranging from 3.28% to 9.250%. These mortgages require monthly principal and interest payments of approximately $204,000 with the installment on the final mortgage due in 2050. All of the property and equipment of the HUD 202 Projects is subject to lien under the mortgage agreements.	$	18,329,690	11,450,966
Various mortgages payable to the Community Development Administration (CDA), a division of the Department of Housing and Community Development of the State of Maryland, Baltimore County, Harford County, and Arundel Community Development Services, bear interest at fixed rates ranging from 0% to 4.5%. Upon default, however, the interest rate on certain of these mortgages will increase to 8.0%. These mortgages are subordinated to the related mortgages payable to HUD. The mortgage principal and accrued interest are due on the same day as the last monthly installment due on the related HUD mortgages or, in the case of capital advances, after 40 years. Also included are approximately $480,000 of advances from Maryland Affordable Housing Trust and Federal Home Loan Bank in both fiscal years 2016 and 2015. These advances bear no interest and repayment is not required so long as the project remains available to very low income seniors for 15 years.		8,530,695	8,418,570
	$	26,860,385	19,869,536

(c) Other Mortgages

Other mortgages consist of the following as of June 30, 2016 and 2015:

		2016	2015
Various mortgages payable to HUD, the Department of Housing and Community Development of the State of Maryland, Baltimore City, and various banks for the construction, purchase, and/or renovation of various program facilities. Monthly principal and interest payments are approximately $35,000 for terms of 30 to 40 years with fixed interest rates ranging from 0% to 8%.	$	13,757,338	13,881,221
Seller-financed mortgage bearing imputed interest at 8% for a term of 20 years requiring annual principal and interest payments of $102,125.		94,560	182,116
	$	13,851,898	14,063,337

(d) Principal Repayments

The aggregate amount of future principal payments and deferred interest on mortgages and bonds payable as of June 30, 2016 is as follows:

Fiscal year:		
2017	$	2,320,736
2018		2,361,201
2019		2,377,183
2020		2,064,924
2021		2,090,972
Thereafter		45,197,684
	$	56,412,700

Deferred interest is not paid unless noncompliance occurs with HUD mortgages as described above.

(e) Interest Rate Swap and Cap Agreements

In June 2013, the Organization entered into an interest rate swap agreement with an original notional amount of $14.3 million, which amortizes monthly. Under this agreement, which matures in June 2023, the Organization pays a fixed rate of 3.3% and will receive a variable interest payment of 72% of the sum of one-month LIBOR plus 1.76%. The fair value of this swap agreement included in other liabilities at June 30, 2016 and 2015 was $832,432 and $506,624, respectively.

(Continued)

In June 2013, Catholic Charities also entered into an interest rate cap agreement. The agreement has an original notional amount of $4.8 million, which amortizes monthly. Under this agreement, which matures in June 2023, the Organization receives from the bank an amount equal to the excess interest expense (at a variable rate based on 72% of the sum of one-month LIBOR plus 1.76%) above 5.0%. The fair value of this agreement at June 30, 2016 and 2015 was an asset of $3,624 and $17,020, respectively. In connection with the agreement, Catholic Charities paid an up-front premium of $86,200, which is deferred and is being amortized over the life of the cap agreement.

(f) Interest Paid

Catholic Charities paid interest related to these mortgages and bonds payable of approximately $1.5 million in fiscal years 2016 and 2015.

(6) Fair Value Measurements

The following tables present the Organization's fair value measurements for its financial assets/liabilities measured at fair value on a recurring basis as of June 30, 2016 and 2015:

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Cash, cash equivalents, and restricted cash	$ 7,210,637	—	—	7,210,637
Investments:				
Certificates of deposit and cash	8,245,111	—	—	8,245,111
Mutual funds	17,834,878	—	—	17,834,878
U.S. government and agency obligations	6,604,646	3,655,820	—	10,260,466
Corporate bonds	—	3,605,204	—	3,605,204
Common stocks	29,291,331	—	—	29,291,331
Asset-backed securities	—	952,381	—	952,381
Real estate investment fund	—	—	260,751	260,751
Total fair value of investments	61,975,966	8,213,405	260,751	70,450,122
Liabilities:				
Interest rate swap and cap agreements	—	(828,808)	—	(828,808)
Total fair value of financial assets, net of liabilities	$ 69,186,603	7,384,597	260,751	76,831,951

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Cash, cash equivalents, and restricted cash	$ 5,519,627	—	—	5,519,627
Investments:				
Certificates of deposit and cash	6,589,437	—	—	6,589,437
Mutual funds	19,538,796	—	—	19,538,796
U.S. government and agency obligations	6,690,413	3,246,394	—	9,936,807
Corporate bonds	—	3,642,431	—	3,642,431
Common stocks	33,184,207	—	—	33,184,207
Asset-backed securities	—	765,579	—	765,579
Real estate investment fund	—	—	581,909	581,909
Total fair value of investments	66,002,853	7,654,404	581,909	74,239,166
Liabilities:				
Interest rate swap and cap agreements	—	(489,604)	—	(489,604)
Total fair value of financial assets, net of liabilities	$ 71,522,480	7,164,800	581,909	79,269,189

There were no significant transfers between levels for the years ended June 30, 2016 and 2015.

The Organization’s Level 2 investments and liabilities consist of corporate bonds, government-sponsored debt securities, and interest rate swap and cap agreements, which do not have directly observable quoted prices in active markets, but are valued based upon broker quotes for similar securities in active markets.

Catholic Charities’ Level 3 investment consists of a real estate investment fund, which has little or no observable market. The investment is expected to make distributions to investors through the liquidation of underlying assets over a 10-year period. The Organization has no future funding commitments.

(7) Net Assets

Temporarily restricted net assets consist of the following as of June 30, 2016 and 2015:

		2016	2015
Contributions restricted for programs	$	1,998,164	3,374,021
Endowment returns		14,272,380	16,104,018
Estates, trusts, and other net assets		98,674	105,128
Total	$	16,369,218	19,583,167

Permanently restricted net assets consist of the following as of June 30, 2016 and 2015:

		2016	2015
Donor-restricted endowment funds	$	23,846,899	21,897,037
Estates and trusts		159,805	171,932
Total	$	24,006,704	22,068,969

(8) Endowments

Catholic Charities' endowment funds consist of both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. The endowments were established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Board-designated endowment funds include $4.8 million held as the Henry J. and Marion I. Knott Catholic Community Fund as of June 30, 2016.

Catholic Charities has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the Organization to manage and invest the individual donor-restricted endowment funds in good faith and prudence. Catholic Charities classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization's board of directors in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, Catholic Charities considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds; (2) the mission of Catholic Charities and the purpose of donor-restricted endowment funds; (3) general economic conditions; (4) the possible effects of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of Catholic Charities; and (7) the investment policies of Catholic Charities.

(Continued)

Catholic Charities has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

To maximize investment performance, endowment assets are pooled with other Catholic Charities' investments and are invested in accordance with the Organization's investment policy. The investment policy objectives include the long-term preservation of real purchasing power of the endowment assets, net of inflation and investment management costs, sufficient to fund the annual spending requirements discussed below, while limiting exposure to risk of loss. To satisfy its long-term return objectives, Catholic Charities relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Catholic Charities targets a diversified asset allocation to achieve its long-term objective within prudent risk constraints.

Catholic Charities annually appropriates a portion of its endowment funds for expenditure in the upcoming fiscal year. The amount appropriated is generally 5% of the trailing three-year average balance of funds designated or restricted for such purposes. The computed value may be adjusted for large contributions, withdrawals, or market value swings as necessary to produce the desired level of cash. In all cases, appropriated amounts are subject to the intent of donors expressed in the gift instruments and the prudent spending requirements of MUPMIFA.

Endowment net asset composition by type of fund as of June 30, 2016 and 2015 is as follows:

	2016			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ —	14,272,380	23,846,899	38,119,279
Board-designated endowment funds	11,908,840	—	—	11,908,840
Total funds	$ 11,908,840	14,272,380	23,846,899	50,028,119

	2015			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ —	16,104,018	21,897,037	38,001,055
Board-designated endowment funds	12,480,224	—	—	12,480,224
Total funds	$ 12,480,224	16,104,018	21,897,037	50,481,279

(Continued)

Changes in endowment net assets for the fiscal years ended June 30, 2016 and 2015 are as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets as of June 30, 2014	$	12,761,749	16,241,739	21,882,748	50,886,236
Investment return:					
Investment income		247,963	881,854	—	1,129,817
Net appreciation (realized and unrealized)		188,240	487,094	—	675,334
Total investment return		436,203	1,368,948	—	1,805,151
Contributions		—	—	14,289	14,289
Appropriation of endowment assets for expenditure		(717,728)	(1,506,669)	—	(2,224,397)
Net assets as of June 30, 2015		12,480,224	16,104,018	21,897,037	50,481,279
Investment return:					
Investment income		198,650	716,700	—	915,350
Net depreciation (realized and unrealized)		(301,105)	(1,028,335)	—	(1,329,440)
Total investment return		(102,455)	(311,635)	—	(414,090)
Contributions, including changes in donor's restrictions		114,486	(1,398,667)	1,949,862	665,681
Appropriation of endowment assets for expenditure		(583,415)	(121,336)	—	(704,751)
Net assets as of June 30, 2016	$	11,908,840	14,272,380	23,846,899	50,028,119

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MUPMIFA requires Catholic Charities to retain as a fund of perpetual duration. These shortfalls result from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Organization. There were no significant shortfalls of this nature as of June 30, 2016 or 2015.

In fiscal 2016, the Organization reclassified the balance of a donor-restricted fund from temporarily restricted to permanently restricted after clarification from the donor that the fund be maintained as an endowment.

(9) Retirement Plans

Certain employees of Catholic Charities participate in the Retirement Plan for Lay Employees of the Archdiocese of Baltimore with other affiliated organizations of the Archdiocese, which is a single-employer plan under common control. Effective July 1, 2011, the Archdiocese froze participation in and benefits accumulation of its plan. Accordingly, no Catholic Charities' employees hired subsequent to that date will become participants and benefits accumulated as of July 1, 2011 are frozen. Benefits were based on age, years of service, and level of compensation.

Pension-related expense, which was $1.4 million in 2016 and $1.2 million in 2015, is determined and allocated by the Archdiocese to Catholic Charities and is the amount that Catholic Charities is to remit to the Archdiocese. Annual cash payments, which are also determined by and made to the Archdiocese for remittance to the plan, were $2.7 million in 2016 and 2015. The net amount due to the Archdiocese as of June 30, 2016 and 2015 is $7.0 million and $8.4 million, respectively.

Participating employers, including Catholic Charities, are responsible for continued funding of the plan for their proportional participation as well as any nonperformance of other affiliated employers, if any. Risks of participation in the plan include the following: (a) assets contributed to the plan by one employer may be used to provide benefits to employees of other participating employers; and (b) if a participating employer withdraws from the plan, the unfunded obligation of the plan may be borne by the remaining participating employers. As of June 30, 2016, the plan was less than 65% funded.

Effective July 1, 2011, Catholic Charities adopted its own 403(b) employee retirement plan, which permits participants to defer a percentage of their salary, on a pretax basis, and allows Catholic Charities to make discretionary contributions, based on participants' eligible compensation. Employer contributions are subject to vesting requirements. Expense incurred for the 403(b) retirement plan for fiscal years 2016 and 2015 was $2.2 million.

(10) Leases

Catholic Charities has entered into commitments to lease certain office and program space. The lease terms expire at various dates through January 2020. The following is a schedule of future minimum lease payments required under the operating leases that have remaining lease terms in excess of one year as of June 30, 2016:

Fiscal year:	
2017	$ 2,896,668
2018	1,601,535
2019	1,392,217
2020	909,324
2021	310,077
Thereafter	27,949
	$ 7,137,770

The minimum rentals above do not include additional payments for insurance, property taxes, and maintenance costs that may be due as provided for in the lease agreements. Rent expense was approximately \$2.0 million and \$1.6 million for fiscal years 2016 and 2015, respectively.

Catholic Charities leases office space from the Archdiocese. Rent paid to the Archdiocese was approximately \$142,000 and \$138,000 for fiscal years 2016 and 2015, respectively.

(11) Legal and Regulatory Contingencies

Catholic Charities is engaged in various legal proceedings arising out of and incidental to its businesses. After reviewing developments with legal counsel, management is of the opinion that these legal proceedings will not have a material adverse effect on the combined financial position of Catholic Charities.

Amounts received and expended by the Organization under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the combined financial position of the Organization.

(12) Subsequent Events

Management evaluated subsequent events that occurred after June 30, 2016 and through October 27, 2016 and determined that no adjustments or disclosures to the combined financial statements were required.

SUPPLEMENTARY FINANCIAL INFORMATION

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Supplemental Combining Statement of Financial Position

June 30, 2016

Assets		ACC (A)	Senior Communities (B)	Eliminations (C)	Combined
Cash and cash equivalents	$	1,043,324	2,238,379	—	3,281,703
Restricted cash		1,381,113	2,547,821	—	3,928,934
Accounts receivable, less allowance for doubtful accounts		18,828,543	1,550,656	—	20,379,199
Prepaid expenses and other assets		1,892,701	1,251,751	—	3,144,452
Investments, at fair value		66,244,091	4,206,031	—	70,450,122
Property and equipment, net		52,977,247	106,395,095	(6,622,674)	152,749,668
Intercompany		11,411,654	(11,411,654)	—	—
Total assets	$	153,778,673	106,778,079	(6,622,674)	253,934,078
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	$	4,259,118	2,596,358	—	6,855,476
Accrued salaries and benefits		9,248,233	275,458	—	9,523,691
Accrued interest		818,724	358,852	—	1,177,576
Borrowings under line of credit		3,359,000	—	—	3,359,000
Deferred revenue		651,036	115,908	—	766,944
Due to Archdiocese		7,049,380	—	—	7,049,380
Other liabilities		4,236,207	769,834	—	5,006,041
Capital advances		5,980,900	92,742,022	—	98,722,922
Mortgages and bonds payable		22,834,457	33,578,243	—	56,412,700
Total liabilities		58,437,055	130,436,675	—	188,873,730
Net assets (deficits):					
Unrestricted – controlling interest		54,965,696	(32,940,377)	(6,622,674)	15,402,645
Unrestricted – noncontrolling interest		—	9,281,781	—	9,281,781
Total unrestricted		54,965,696	(23,658,596)	(6,622,674)	24,684,426
Temporarily restricted		16,369,218	—	—	16,369,218
Permanently restricted		24,006,704	—	—	24,006,704
Total net assets		95,341,618	(23,658,596)	(6,622,674)	65,060,348
Total liabilities and net assets	$	153,778,673	106,778,079	(6,622,674)	253,934,078

See accompanying notes to independent auditors' report.

Note: The combining statement of financial position is included to separately present the assets, liabilities, and net assets of the Organization's low-income senior housing communities, which include a substantial investment in property and equipment, financed primarily with mortgages, and capital advances from the United States Department of Housing and Urban Development (HUD) (Senior Communities). The Senior Communities' net deficits relate primarily to depreciation of property and equipment, which is not currently funded by HUD.

(A) Comprising Associated Catholic Charities, Inc., and certain of its affiliated organizations as follows.: Jenkins Memorial Nursing Home, Inc. (St. Elizabeth's), Cherry Hill Town Center, Inc., 661 Corporation, My Sister's Place Women's Center Fund, Inc., Our Daily Bread Employment Center Fund, Inc., Sarah's House Fund, Inc., ACC Green House Residences, Inc., and Esperanza Center Health Services, Inc.

(B) Comprising the Organization's low-income senior communities as follows: Catholic Charities Housing, Inc. (Basilica Place), DePaul House, Inc., Bethany Community Inc., St. Charles House, Inc., Backbone Housing, Inc. (Starner Hill), Coursey Station Apartments, Inc., St. Luke's Apartments, Inc., St. Mark's Housing, Inc., St. Mark's Limited Partnership, St. Joachim, Inc., Trinity House Apartments, Inc., Hollins Ferry Road Apartments, Inc., Hollins Ferry Senior Housing Limited Partnership, Belair Senior Housing, Inc., Belair Limited Partnership, Odenton Senior Housing, Inc., Glen Burnie Senior Housing, Inc., Reisterstown Village Senior Housing, Inc., Reisterstown Gardens Senior Housing, Inc., Owings Mills Senior Housing, Inc., Aberdeen Senior Housing, Inc., Woodlawn Senior Housing, Inc., Abingdon Senior Housing, Inc., Odenton Senior Housing II, Inc., OLF Senior Housing, Inc., OLF Senior Housing II, Inc., Village Crossroads Senior Housing, Inc., Village Crossroads Senior Housing Limited Partnership, Village Crossroads Senior Housing II, Inc., Basilica Place Limited Partnership, and BPL, Inc.

(C) The elimination relates primarily to construction developer fees paid by the HUD communities to ACC.